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Exhibit F  
December 14, 1998 Letter from  
Valuometrics, Inc. to Messrs. Clark and Cashman



## VALUOMETRICS, INC.

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December 14, 1998

Mr. E. Roger Clark – Chief Executive Officer  
Mr. Maurice Cashman – Chief Financial Officer  
National Forge Company Holdings, Inc.  
One Front Street  
Irvine, PA 16329

Re: Summary of findings on the analysis of an S-Corp conversion

Dear Sirs:

Valuemetrix, Inc. was retained by National Forge Company Holdings, Inc. (“NatForge” or the “Company”) to perform an analysis of the effect of the Company’s conversion to an S-Corporation that will be 100% ESOP-owned (the “Transaction”) on the NatForge stock price.

Our study is motivated by the recent change in the Federal Tax Law that allows an ESOP, a tax-exempt trust to become a shareholder in an S Corporation. According to this new ruling, an entity that is 100% owned by an ESOP is fully exempt from corporate federal income taxes.

As explained to us, the proposed transaction would include:

- the purchase of shares held by the non-ESOP shareholders using the proceeds of an increase in external debt and using existing cash
- a conversion from LIFO to FIFO inventory accounting
- the elimination of a forecasted tax benefit associated with a \$300,000 annual increase in LIFO reserve
- the realization of a taxable gain of \$2,200,000 on inventory due to LIFO conversion
- a special non-cash charge of \$8,677,000 for the write-off of Deferred Tax Asset offset by the Deferred Tax Liability and a write-off of Book Inventory
- the election of a change of tax status from a C Corporation to a S Corporation

We relied on the Discounted Cash Flow Methodology to determine the Fair Market Value of the Company’s shares in this analysis consistent with our historical approach to the valuation of the Company’s shares described in the ESOP Valuation Report dated October 13, 1998, which described our valuation of the Company’s shares at Fiscal Year End 6/30/98.

National Forge Company Holdings, Inc.  
 Analysis of conversion to a S Corporation  
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We compared the effects of the transaction on the per share price as of June 30, 1998 and at the end of each year of the projection period ending June 30, 2002 under the following assumptions:

- The Company remains a C Corporation
- The Company changes its tax status to an S Corporation

In all cases, the underlying forecast relied upon in this study is consistent with the forecast used in the ESOP Valuation report as of October 13, 1998, except for the changes resulting from the transaction described above.

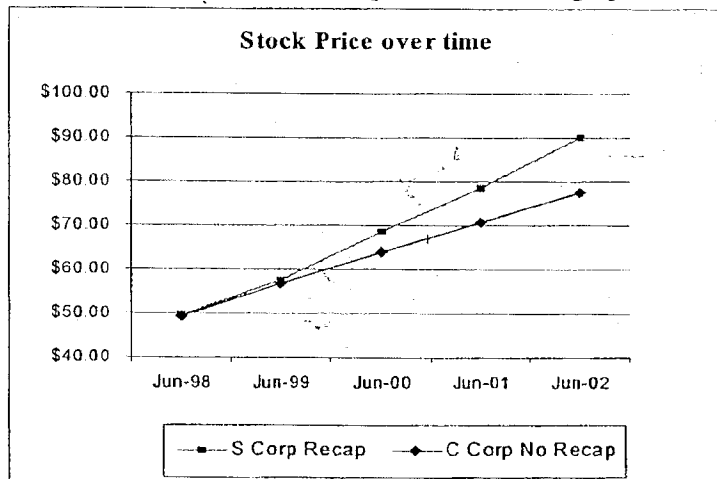
It is Valuemetrics' position that a Fair Market Value Standard requires valuation practitioners to value an S Corporation as a C Corporation. Since a hypothetical buyer may not be able to have NatForge retain its S Corporation status, we therefore have treated the Company as a C corporation for valuation purposes. The imputed tax rate used in this valuation is 39 percent. This is consistent with our 6/30/98 valuation.

In addition, included in the valuation is the excess cash defined as the cash balance less \$500,000. The excess cash balance at the end of each forecast year reflects the cumulative cash saved by not paying taxes. Hence, the value of an S Corporation is always higher by the amount of cash that builds up as a result of not paying taxes.

Consistent with the Fair Market Value Standard, the cash savings resulting from not paying taxes in the future years were not discounted and added to the present value of the Company.

#### Valuation treating S Corporation as a C Corporation

The results of our analysis are presented in the graph below:



	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
C Corp No Recap	\$49.42	\$56.74	\$64.01	\$70.71	\$77.64
S Corp Recap	\$49.51	\$57.48	\$68.59	\$78.74	\$89.97

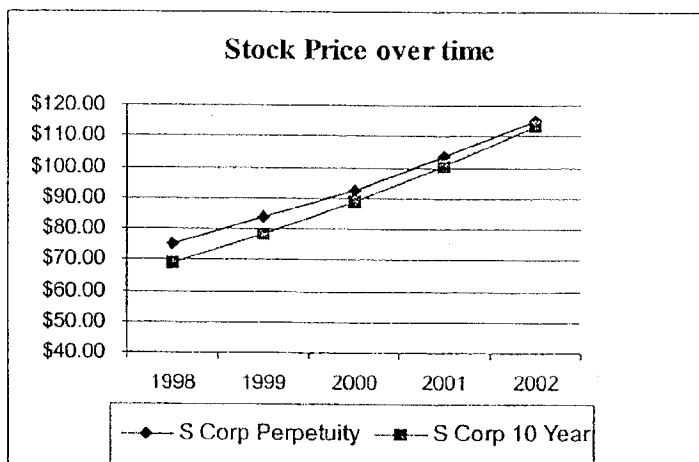
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Please refer to Exhibits A and B for detailed calculations.

Based upon our analysis, the projected stock price of an S Corporation exceeds that of a C Corporation at the end of each projection period.

#### Valuation capitalizing S Corporation tax savings

In addition, you have asked us to calculate a hypothetical value per share of the Company's stock capitalizing the cash savings accumulated at the Company as a result of not paying taxes as an S Corporation for 10 years as well as into perpetuity. The results of our findings are summarized in the following chart.



	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
S Corp Perpetuity	\$74.82	\$83.45	\$92.57	\$103.22	\$115.21
S Corp 10 Year	\$68.76	\$78.27	\$88.37	\$100.14	\$113.40

Please refer to Exhibits C and D for detailed calculations.

The analysis above results in higher projected prices per share are higher than the prices under a Fair Market Value Definition described in the previous section, however, Valumetrics does not believe that this valuation of approach is appropriate.

Please call us with any questions.

Cordially,

*Valumetrics*

Valumetrics, Inc.

**Exhibit A: Standard ESOP Valuation - Fair Market Value  
C Corporation**

**National Forge Company Holdings, Incorporated**

Projected Performance											
12 Months											
Jun-96	Jun-97	Jun-98	Assumptions			Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Income Statement Assumptions											
Revenue Growth	(1.1%)	(0.2%)				8.0%	(0.8%)	2.1%	2.8%	4.3%	4.5%
Historical COGS as a % of Rev	81.6%	81.6%									
Historical Gross Profit Margin	18.4%	18.4%									
Historical Adj to COGS (in \$)	\$0	\$0									
Going-forward COGS as a % of Rev	81.6%	81.6%				80.0%	80.8%	78.2%	78.8%	78.9%	78.9%
Going-forward Gross Profit margin	18.4%	18.4%				20.0%	19.2%	21.8%	21.2%	21.1%	21.1%
Historical SGA as a % of Rev (b4 Depr)	10.2%	10.9%									
Historical Adj to SGA (in \$)	\$0	\$0									
Going-forward SGA % of Rev: (b4 Depr)	10.2%	10.9%				11.0%	11.1%	10.7%	10.6%	10.3%	10.1%
Tax Rate	33.6%	37.7%				39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Total Depr. (from schedule or input)	\$2,998	\$3,187				\$2,897	\$3,122	\$3,363	\$3,637	\$3,912	\$3,912
Amortization	\$0	\$0				\$1,065	\$1,065	\$1,057	\$1,057	\$1,057	\$1,057
Avg Depreciable Life (Future)						10 Years		Avg Depreciable Life (Hist)		10 Years	
Balance Sheet Assumptions											
Cash	\$6,330	\$3,341				Residual Account					
Avg A/R Turns (Sales/Avg A/R)	7.8	5.7				5.6	5.5	5.6	5.6	5.7	5.7
A/R Turnover (Sales/A/R)	5.0	6.7				5.5	5.6	5.6	5.5	5.5	5.5
Avg Inventory Turns (COGS/Avg Inv)	3.5	3.6				4.1	3.9	3.8	4.0	4.1	4.2
Inventory Turns (COGS/Inv)	3.7	3.7				4.0	3.8	3.9	4.0	4.1	4.1
Other CA	0.1%	0.8%				Fixed at LTM \$ amount					
Capital Expenditures	\$3,274	\$5,074				\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Error Message for CapEx	OK	OK				The Historical CapEx is calc'd based on "Total Depr (from COGS & SGA detail)" abo					
Cap Ex as a % of Revenues	3.7%	5.8%				4.8%	4.9%	4.8%	4.6%	4.5%	4.3%
Fixed Assets/Rev.	0.3	0.3				0.3	0.3	0.3	0.3	0.3	0.3
Investments & Advances - Eq. Method	\$0	\$0				Fixed at LTM \$ amount					
Investments & Advances - Other	\$0	\$0				Fixed at LTM \$ amount					
Intangibles	\$4,820	\$4,619				Fixed at LTM \$ amount					
Deferred Charges	\$7,696	\$6,443				Fixed at LTM \$ amount					
Other Assets	\$11,004	\$10,463				Fixed at LTM \$ amount					
Avg. A/P Turns (COGS/Avg A/P)	11.8	13.9				12.8	14.0	13.9	13.9	14.0	14.1
A/P Turns (COGS/AP)	13.4	15.2				13.9	14.2	13.8	13.6	13.8	13.8
Income Taxes Payable	\$864	\$0				25% of Current Years Taxes (default), or can change to \$0 or keep constant					
Other Current Liabilities	\$7,696	\$8,333				Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
Other Liabilities	\$31,163	\$32,119				Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
Deferred Taxes	\$0	\$0				Fixed at LTM \$ amount					
Minority Interest	\$2,079	\$1,278				Fixed at LTM \$ amount					
Current Ratio	1.9	2.0				2.2	2.3	2.3	2.8	3.4	3.8
Current Ratio (excl. Cur. Debt)	2.7	2.8				3.1	3.2	3.1	3.1	3.4	3.8
Pfd. Common, & Capital Surplus	\$11,088	\$16,688				Fixed at LTM \$ amount					
Retained Earnings						Last Year (not LTM) + NI of Current year					
Valuation Assumptions											
Perpetuity Growth Rate						4.5%		LTM Inflation	4.0%	Implied Real Growth	
Discount Rate						13.6%		WACC or APV?	APV		
% of 1st Year's CF to include						100%		DLOM	5.0%	Trmr	
Pre-Transaction Debt:	\$22,847	\$15,207				\$20,519		Minority Discount:	0.0%	Trans Costs Amortiz	
										% of Trans Co	

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\$56,868
\$37,730

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## 12 Months

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## National Forge Company Holdings, Incorporated

## Projected Performance

		12 Months									
		INCOME STATEMENT									
		Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
Net Sales		\$88,952	\$87,947	\$87,801	\$94,821	\$94,699	\$96,061	\$98,780	\$103,028	\$107,664	
Cost of Goods Sold (Including COGS Depr)		71,608	69,932	71,634	75,895	75,994	75,126	77,806	81,311	84,970	
Gross Profit		\$16,344	\$18,015	\$16,167	\$18,926	\$18,105	\$20,935	\$20,974	\$21,717	\$22,694	
SGA (Excl. Depr & Amort)		\$9,045	\$9,622	\$9,125	\$10,455	\$10,450	\$10,264	\$10,429	\$10,585	\$10,905	
SGA D&A (Incl. Financing Costs Amort.)		0	0	0	0	0	0	0	0	0	
Operating Income after Deprec.		\$7,299	\$8,393	\$7,042	\$8,471	\$7,655	\$10,671	\$10,545	\$11,132	\$11,790	
Other Expense (Incl. Fin & Other Amort)		(\$683)	(\$875)	(\$1,037)	(\$1,304)	(\$1,372)	(\$885)	(\$856)	(\$827)	\$ -	
Interest Income (NF Components)		0	0	0	10	22	32	42	52	52	
Interest (Expense)		(3,053)	(2,224)	(1,958)	(2,525)	(1,982)	(1,465)	(966)	(664)	(468)	
Special Item Income (Expense)		0	0	0	0	0	0	0	0	0	
Pretax Income		\$3,563	\$5,294	\$4,027	\$4,652	\$4,323	\$8,353	\$8,765	\$9,693	\$11,374	
Income Tax		1,196	1,928	1,519	(1,424)	(1,283)	(2,539)	(2,778)	(3,065)	(3,597)	
Net Income before E&D		\$2,367	\$3,366	\$2,513	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778	
Extra Income (Expense) & Disc. Operation		0	0	(723)	0	0	0	0	0	0	
Net Income after E&D		\$2,367	\$3,366	\$1,790	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778	
Preferred Dividends		351	350	268	0	0	0	0	0	0	
Net Income to Common		\$2,016	\$3,016	\$1,522	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778	

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## National Forge Company Holdings, Incorporated

## Projected Performance

CASH STATEMENT BY ACTIVITY	12 Months			
	Jun-99	Jun-00	Jun-01	Jun-04
<b>Operating Activity</b>				
Working Capital (Uses)				
Deer (Incr) in Acct. Rec.	(\$289)	\$324	(\$429)	(\$838)
Deer (Incr) in Escrow	(719)	(721)	(720)	(721)
Deer (Incr) in Inventory	(\$17)	(1,003)	565	(336)
Deer (Incr) in Other CA	(159)	14	8	7
Deer (Incr) in Invest./Advances-Equity	0	0	0	0
(Deer) Incr in Invest and Goodwill	(\$65)	(551)	(551)	(551)
Deer (Incr) in Deferred Charges	(210)	0	0	0
Deer (Incr) in Other LT Assets	95	312	280	235
Incr (Deer) in Acct. Payable	(896)	(113)	98	284
Incr (Deer) in Taxes Payable	(190)	61	140	225
Incr (Deer) in Other Current Liab.	(883)	279	3	5
Pension Liability Increase	382	649	608	656
Other	446	37	45	43
Total W/C (Uses)	(\$3,507)	(\$712)	\$47	(\$1,191)
Net Income (Loss)	\$3,228	\$3,040	\$5,814	\$5,987
Depreciation & Amort.	3,962	4,187	4,420	4,694
Net Cash From Operations	\$3,683	\$6,515	\$10,281	\$10,406
<b>Investment Activity</b>				
Less Capital Expenditures	(4,590)	(4,532)	(4,594)	(4,572)
<b>Financing Activities</b>				
Less Purchase of Treasury Stock (ESOP R.	(726)	(924)	(1,818)	(1,932)
Less Purchase Com. & Pref. Stock	5,548	5,260	1,500	1,500
Less Cash Dividends	0	0	0	0
Long-Term Debt Issuance	(2,959)	(5,524)	(5,573)	(1,983)
Current Debt Change	(912)	(707)	(278)	(3,612)
Other Financial Activity Cash Sources (Us	28	0	0	0
Net Cash Incr (Deer) from Financing	\$979	(\$1,895)	(\$6,169)	(\$6,027)
Cash and Equiv. Incr (Deer)	72	38	(482)	(555)
Change in Cash Balances	72	38	(482)	(555)

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## National Forge Company Holdings, Incorporated

## Projected Performance

	12 Months					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
CASH FLOWS						
Operating Income	\$7,886	\$7,070	\$10,086	\$9,960	\$10,547	\$11,790
Plus ESOP Contrib. incl. as Op. Exp.	5,545	5,259	1,500	1,500	1,500	0
Op. Inc. + ESOP Contrib.	\$13,431	\$12,329	\$11,586	\$11,460	\$12,047	\$11,790
Less Taxes on Op. Inc. + ESOP Contrib.	(5,238)	(4,808)	(4,519)	(4,469)	(4,698)	(4,598)
Plus Depreciation & Amortization	3,962	4,187	4,420	4,694	4,969	4,969
LIFO charge Add-back	300	300	300	300	300	300
Working Capital (Uses)	(3,402)	(1,037)	47	(637)	(1,191)	(1,641)
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)	(4,611)
Net Cash Flow	\$4,463	\$6,389	\$7,240	\$6,776	\$6,816	\$6,209
% of CF realized after 06/30/98	100%	100%	100%	100%	100%	100%
Cash Flow Applied to NPV	\$4,463	\$6,389	\$7,240	\$6,776	\$6,816	\$6,209
RESIDUAL VALUE						
Residual Value, assuming 4.5% long term growth of cash flows						
Implied EBIT Multiple 5.2						
CapFactor						
UNLEVERAGED FIRM VALUE						
Unlev. Operating Free Cash Flow	\$4,463	\$6,389	\$7,240	\$6,776	\$6,816	
Residual Value	60,395	62,195	63,387	65,206	67,230	
Total Cash Flows <sup>12</sup>	\$64,858	\$68,584	\$70,628	\$71,981	\$74,046	
Unleveraged Cost of Equity	13.6%	13.6%	13.6%	13.6%	13.6%	
Unleveraged Firm Value (Jun-98)	\$56,868	\$60,395	\$62,195	\$63,387	\$65,206	
TAX SHIELD VALUE FROM DEBT & ESOP IN CAPITAL STRUCTURE						
Pretax Income	\$4,652	\$4,323	\$8,353	\$8,765	\$9,693	\$11,374
Pre-Transaction ESOP Principal	5,545	5,259	1,500	1,500	1,500	0
Interest Expense	2,525	1,982	1,465	966	664	468
Pretax Unleveraged Income	\$12,722	\$11,564	\$11,318	\$11,231	\$11,857	\$11,842
Pretax Income (Leveraged)	4,652	4,323	8,353	8,765	9,693	11,374
Tax on Unleveraged Pretax Income	\$4,962	\$4,510	\$4,414	\$4,380	\$4,624	\$4,618
Tax on Leveraged Pretax Income	1,814	1,686	3,258	3,418	3,780	4,436
Tax Savings due to Interest + ESOP	\$3,147	\$2,824	\$1,156	\$962	\$844	\$182
NPV of Tax Shield (13.6% rate)	\$5,845	4,548	2,340	1,501	743	

CapFactor

Implied EBIT Multiple 5.2

Residual Value, assuming 4.5% long term growth of cash flows

UNLEVERAGED FIRM VALUE

Unlev. Operating Free Cash Flow

Residual Value

Total Cash Flows<sup>12</sup>

Unleveraged Cost of Equity

Unleveraged Firm Value (Jun-98)

TAX SHIELD VALUE FROM DEBT &amp; ESOP IN CAPITAL STRUCTURE

Pretax Income

Pre-Transaction ESOP Principal

Interest Expense

Pretax Unleveraged Income

Pretax Income (Leveraged)

Tax on Unleveraged Pretax Income

Tax on Leveraged Pretax Income

Tax Savings due to Interest + ESOP

NPV of Tax Shield (13.6% rate)

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## National Forge Company Holdings, Incorporated

SUMMARY	Projected Performance			
	Jun-98	Jun-99	Jun-00	Jun-01
Unleveraged Firm Value	\$56,868	\$60,395	\$62,195	\$63,387
PV of Interest & ESOP Tax Shield	6,845	4,548	2,340	1,501
PV Mitchell NOL, Unlevered	175	0	0	0
Market Capital Value	\$63,888	\$64,943	\$64,535	\$64,888
Less: Capital Debt	(\$29,519)	(\$24,543)	(\$18,206)	(\$12,576)
Less: Tax Adjusted SAR Value	(\$725)	(\$954)	(\$1,077)	(\$1,194)
Plus: Excess Cash	\$6,080	\$6,152	\$6,190	\$5,708
Total Mkt. Control Equity Value	\$39,720	\$45,600	\$51,440	\$56,830
Marketability Discount (5.0%)	(1,990)	(2,280)	(2,570)	(2,840)
Control Equity Value (after Marketability Discount)	\$37,730	\$43,320	\$48,870	\$53,990
Shares Outstanding	763	763	763	763
Per Share Value	49.42	56.74	64.01	70.71
				77.64

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National Forge Company Holdings<sup>LLC</sup> Incorporated

## Projected Performance

	12 Months			
	Jun-99	Jun-00	Jun-01	Jun-03
<b>DEBT AMORTIZATION</b>				
Total Debt	\$29,519			
Sum of Debt below	\$29,597			
<b>NF Europe</b>				
Beginning Balance	\$5,430	NA Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	0		\$5,430	\$5,430
Interest Payment	495	474	0	0
Ending balance	5,430	5,430	458	425
Total P&I	\$495	\$474	\$458	\$425
<b>Chase Term Loan</b>				
Beginning Balance	\$21,411	9.30% Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	3,820	\$17,591	\$11,586	\$6,110
Prepayment	0	6,005	5,476	4,806
Interest Payment	1,818	1,296	0	0
Ending balance	17,591	11,586	815	377
Total P&I	\$5,638	\$7,301	\$6,291	\$1,426
<b>MELF</b>				
Beginning Balance	\$348	4.6% Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	81	\$267	\$182	\$93
Prepayment	0	85	89	93
Interest Payment	14	10	6	2
Ending balance	267	182	93	0
Total P&I	\$95	\$95	\$95	\$0
<b>Pipeline &amp; Capital Leases</b>				
Beginning Balance	\$113	10.6% Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	113	\$0	\$0	\$0
Prepayment	0	0	0	0
Interest Payment	6	0	0	0
Ending balance	0	0	0	0
Total P&I	\$119	\$0	\$0	\$0
<b>MS Overdraft Reserve</b>				
Beginning Balance	\$718	7.0% Int. Rate	1	Term (Yrs Remaining)
Principal Payment (Borrowing)	163	\$555	\$152	\$149
Prepayment	0	403	3	75
Interest Payment	45	25	11	8
Ending balance	\$55	152	149	74
Total P&I	\$208	\$428	\$14	\$83

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## National Forge Company Holdings, Incorporated

		NA Int Rate		2		Projected Performance	
						Term (Yrs Remaining)	
NW Forgemasters Overdraft							
Beginning Balance	\$422	\$602		\$856		\$794	
Principal Payment (Borrowing)	(180)	(254)		62		378	
Prepayment	0	0		0		0	
Interest Payment	44	58		64		51	
Ending balance	602	856		794		416	
Total P&I	(\$136)	(\$196)		\$126		\$429	
NIS Capital Equipment Lease		9.5% Int Rate		2		Term (Yrs Remaining)	
Beginning Balance	\$380	\$98		\$0		\$0	
Principal Payment (Borrowing)	282	98		0		0	
Prepayment	0	0		0		0	
Interest Payment	23	3		0		0	
Ending balance	98	0		0		0	
Total P&I	\$305	\$103		\$0		\$0	
NIS Capital Equipment Loan		NA Int Rate		7		Term (Yrs Remaining)	
Beginning Balance	\$775	\$1,105		\$1,211		\$990	
Principal Payment (Borrowing)	(330)	(106)		221		243	
Interest Payment	81	115		111		86	
Ending balance	1,105	1,211		990		747	
Total P&I	(\$249)	\$9		\$332		\$329	
Total Debt		9.1% Avg Int Rate		7.49480881		Avg Term (Yrs Remaining)	
Beginning Balance	\$29,597	\$25,648		\$19,417		\$13,566	
Principal Payment (Borrowing)	\$3,949	\$6,337		\$5,630		\$5,352	
Prepayment	\$0	\$0		\$0		\$0	
Interest Payment	\$2,525	\$1,982		\$1,465		\$966	
Ending balance	25,648	19,311		13,787		8,214	
Total P&I	\$5,852	\$7,396		\$6,386		\$5,278	
Short Term Debt	6,337	5,630		5,352		1,740	
Long Term Debt	19,311	13,787		8,214		6,231	

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## National Forge Company Holdings, Incorporated

## Projected Performance

	12 Months					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
DEPRECIATION SCHEDULE						
Capital Expenditures Req'd.	\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Total Depreciation on New Assets	\$459	\$917	\$1,377	\$1,834	\$2,295	\$2,756
Depreciation on Existing Assets	3,740	3,325	2,909	2,494	2,078	1,663
Total Depreciation Expense	\$ 2,897	\$ 3,122	\$ 3,363	\$ 3,637	\$ 3,912	\$4,419
Beginning Fixed Assets	\$27,757	\$29,450	\$30,910	\$32,141	\$33,076	\$33,775
Less: Depr. (see Assumptions page)	(2,897)	(3,122)	(3,363)	(3,637)	(3,912)	(3,912)
Plus: Capital Exp.	4,590	4,582	4,594	4,572	4,611	4,611
Ending Fixed Assets	\$29,450	\$30,910	\$32,141	\$33,076	\$33,775	\$34,474

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**Exhibit B: Standard ESOP Valuation – Fair Market Value  
S Corporation**

## National Forge Company Holdings, Incorporated

## Projected Performance

12 Months									
Assumptions					Projected Performance				
Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
<b>Income Statement Assumptions</b>									
Revenue Growth	(1.1%)	(0.2%)		8.0%	(0.8%)	2.1%	2.8%	4.3%	4.5%
Historical COGS as a % of Rev	79.5%	81.6%							
Historical Gross Profit Margin	20.5%	18.4%							
Historical Adj to COGS (in \$)	\$0	\$0							
Going-forward COGS as a % of Rev	79.5%	81.6%		79.7%	80.4%	77.9%	78.5%	78.6%	78.6%
Going-forward Gross Profit margin	20.5%	18.4%		20.3%	19.6%	22.1%	21.5%	21.4%	21.4%
Historical SGA as a % of Rev (b4 Depr)	10.2%	10.9%							
Historical Adj to SGA (in \$)	\$0	\$0							
Going-forward SGA % of Rev. (b4 Depr)	10.2%	10.9%		11.0%	11.1%	10.7%	10.6%	10.3%	10.1%
Tax Rate	36.4%	37.7%		39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Total Depr. (from schedule or input)	\$3,187	\$4,700		\$2,802	\$3,122	\$3,363	\$3,637	\$3,912	\$3,912
Amortization	\$0	\$0		\$1,065	\$1,065	\$1,057	\$1,057	\$1,057	\$1,057
Avg Depreciable Life (Future)				10 Years				10 Years	
<b>Balance Sheet Assumptions</b>									
Cash	\$600	\$3,341	\$6,330						
Avg A/R Turns (Sales/Avg A/R)	7.8	5.7	5.8		5.6	5.6	5.6	5.7	5.7
A/R Turnover (Sales/A/R)	5.0	6.7	5.2		5.5	5.6	5.5	5.5	5.5
Avg Inventory Turns (COGS/Avg Inv)	3.5	3.6	3.8		4.2	4.2	4.3	4.3	4.3
Inventory Turns (COGS/Inv)	3.7	3.7	3.9		4.2	4.2	4.2	4.2	4.2
Other CA	0.1%	0.8%	0.9%						
Capital Expenditures	\$3,274	\$5,074	\$4,129		\$4,500	\$4,582	\$4,594	\$4,611	\$4,611
Error Message for CapEx	OK	OK	OK						
Cap Ex as a % of Revenues	3.7%	5.8%	4.7%		4.8%	4.9%	4.8%	4.6%	4.3%
Fixed Assets/Rev.	0.3	0.3	0.3		0.3	0.3	0.3	0.3	0.3
Investments & Advances - Eq. Method	\$0	\$0	\$0						
Investments & Advances - Other	\$0	\$0	\$0						
Intangibles	\$4,820	\$4,619	\$10,373						
Deferred Charges	\$7,259	\$6,443	\$6,235						
Other Assets	\$11,004	\$10,463	\$9,837						
Avg A/P Turns (COGS/Avg A/P)	11.8	13.9	13.1		12.8	14.0	13.8	13.9	14.1
A/P Turns (COGS/AP)	13.4	15.2	11.3		13.8	14.1	13.7	13.5	13.8
Income Taxes Payable	\$864	\$0	\$369						
Other Current Liabilities	\$7,696	\$8,333	\$9,355						
Other Liabilities	\$31,163	\$32,119	\$33,010						
Deferred Taxes	\$0	\$0	\$0						
Minority Interest	\$2,079	\$1,278	\$0						
Current Ratio	1.9	2.0	1.8		1.8	1.9	1.9	2.5	4.1
Current Ratio (excl. Cur. Debt)	2.7	2.8	2.6		2.7	2.8	2.9	3.0	4.1
Pfd, Common, & Capital Surplus	\$11,088	\$16,683	\$17,438						
Retained Earnings									
<b>Valuation Assumptions</b>									
Perpetuity Growth Rate				4.5%					
Discount Rate				13.6%					
% of 1st Year's CF to include				100%					
Pre-Transaction Debt	\$22,847	\$15,207	\$29,519						
Pre-Trans. M/C Value				\$55,978					
Pre-Trans. Equity Value				\$30,680					
				LTM Inflation		LTM Inflation		Implied Real Growth	
				WACC or APV		WACC or APV		APV	
				DLOM		DLOM		DLOM	
				Minority Discount		Minority Discount		Minority Discount	
				\$29,519		\$29,519		\$29,519	
								Trans Costs Amortiz	
								% of Trans Co	

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## National Forge Company Holdings, Incorporated

## Projected Performance

		12 Months								
		Jun-99								
		Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
<b>BALANCE SHEET</b>										
<b>ASSETS</b>										
Cash & Short Term Investments	\$3,341	\$6,330		\$3,957	\$4,031	\$4,364	\$3,532	\$8,142	\$16,666	
Restricted Escrow		\$182		901	1,622	2,342	3,063	3,784	4,505	
Accounts Receivable	13,189	16,887		17,176	16,852	17,281	17,828	18,630	19,468	
Inventory	13,979	18,376		17,987	18,024	17,803	18,463	19,320	20,189	
Other Current Assets	703	777		677	653	655	673	666	666	
<b>Total Current Assets</b>	<b>\$36,212</b>	<b>\$42,552</b>		<b>\$40,698</b>	<b>\$41,192</b>	<b>\$42,445</b>	<b>\$43,559</b>	<b>\$50,542</b>	<b>\$61,495</b>	
Property, Plant & Equipment - Net	\$25,559	\$27,757		\$29,345	\$31,005	\$32,236	\$33,171	\$33,870	\$34,569	
Investments & Advances - Eq. Method	0	0		0	0	0	0	0	0	
Investments & Advances - Other	0	0		0	0	0	0	0	0	
Intangibles	4,619	10,373		9,808	9,257	8,706	8,156	7,605	7,054	
Deferred Charges	6,443	6,235		0	0	0	0	0	0	
Other Assets	10,463	9,837		9,742	9,430	9,150	8,891	8,656	8,656	
<b>Total Assets</b>	<b>\$83,296</b>	<b>\$96,754</b>		<b>\$89,793</b>	<b>\$90,884</b>	<b>\$92,537</b>	<b>\$93,777</b>	<b>\$100,673</b>	<b>\$111,774</b>	
<b>LIABILITIES</b>										
Debt in Current Liabilities	\$5,646	\$7,249		\$7,789	\$6,435	\$7,225	\$2,684	\$54	\$0	
Accounts Payable	4,589	6,363		5,467	5,354	5,452	5,736	5,878	6,143	
Income Taxes Payable	0	369		900	700	450	100	100	100	
Other Current Liabilities	8,333	9,355		8,470	8,749	8,752	8,757	8,753	8,753	
<b>Total Current Liabilities</b>	<b>\$18,568</b>	<b>\$23,336</b>		<b>\$22,626</b>	<b>\$21,228</b>	<b>\$21,879</b>	<b>\$17,277</b>	<b>\$14,785</b>	<b>\$14,996</b>	
Post Retirement Health Benefit Obligations	32,119	33,010		33,029	33,828	34,586	35,298	35,954	35,954	
Total Long Term Debt	9,561	22,270		21,819	15,394	8,168	5,484	5,430	5,430	
Deferred Taxes	0	0		0	0	0	0	0	0	
Post Retirement Pension Obligations	1,278	0		363	213	63	0	0	0	
<b>Total Liabilities</b>	<b>\$61,526</b>	<b>\$78,616</b>		<b>\$77,838</b>	<b>\$70,663</b>	<b>\$64,697</b>	<b>\$58,059</b>	<b>\$56,169</b>	<b>\$56,380</b>	
Preferred Stock	\$3,500	\$0		0	0	0	0	0	\$0	
Common Stock	3	5		8	9	9	9	9	9	
Capital Surplus	13,185	17,433		22,978	28,237	29,737	31,237	32,737	32,737	
Retained Earnings	5,282	1,333		(3,289)	641	8,576	16,885	26,307	37,198	
Less Treasury Stock, Contra Equity	(200)	(633)		(7,742)	(8,666)	(10,482)	(12,414)	(14,549)	(14,549)	
<b>Total Equities</b>	<b>\$21,770</b>	<b>\$18,138</b>		<b>\$11,955</b>	<b>\$20,221</b>	<b>\$27,840</b>	<b>\$35,717</b>	<b>\$44,504</b>	<b>\$55,395</b>	
<b>Total Liabilities &amp; Equities</b>	<b>\$83,296</b>	<b>\$96,754</b>		<b>\$89,793</b>	<b>\$90,884</b>	<b>\$92,537</b>	<b>\$93,777</b>	<b>\$100,673</b>	<b>\$111,774</b>	

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## National Forge Company Holdings, Incorporated

## Projected Performance

		12 Months											
		INCOME STATEMENT											
		Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04			
Net Sales		\$88,952	\$87,947	\$87,801	\$94,821	\$94,999	\$96,061	\$98,780	\$103,028	\$107,664			
Cost of Goods Sold (including COGS Depr)		72,608	69,932	71,634	75,595	75,694	74,826	77,506	81,011	84,656			
Gross Profit		\$16,344	\$18,015	\$16,167	\$19,226	\$18,405	\$21,235	\$21,274	\$22,017	\$23,008			
SGA (Excl. Depr & Amort)		\$9,043	\$9,622	\$9,125	\$10,455	\$10,450	\$10,264	\$10,429	\$10,585	\$10,905			
SGA D&A (Incl. Financing Costs Amort.)		0	0	0	0	0	0	0	0	0			
Operating Income after Depr.		\$7,299	\$8,393	\$7,042	\$8,771	\$7,955	\$10,971	\$10,845	\$11,432	\$12,103			
Other Expense (Incl. Fin & Other Amort)	\$	(\$683)	(\$875)	(\$1,057)	\$ (1,182)	\$ (1,250)	\$ (771)	\$ (742)	\$ (713)	\$ -			
Interest Income (NF Components)		0	0	0	0	22	32	42	52	52			
Interest (Expense)		(3,053)	(2,224)	(1,958)	(3,099)	(2,550)	(1,844)	(1,238)	(624)	(425)			
Special Item Income (Expense)		0	0	0	(8,677)	0	0	0	0	0			
Pretax Income		\$3,563	\$5,294	\$4,027	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147	\$11,730			
Income Tax		1,196	1,928	1,519	(445)	(247)	(453)	(598)	(726)	(839)			
Net Income before E&D		\$2,367	\$3,366	\$2,513	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891			
Extra. Income (Expense) & Disc. Operation		0	0	(723)	0	0	0	0	0	0			
Net Income after E&D		\$2,367	\$3,366	\$1,790	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891			
Preferred Dividends		351	350	268	0	0	0	0	0	0			
Net Income to Common		\$2,016	\$3,016	\$1,522	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891			

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## National Forge Company Holdings, Incorporated

## Projected Performance

CASH STATEMENT BY ACTIVITY	12 Months				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-04
<b>Operating Activity</b>					
Working Capital (Uses)					
Deer (Incr) in Acct. Rec.	(\$289)	\$324	(\$429)	(\$547)	(\$838)
Deer (Incr) in Escrow	(719)	(721)	(720)	(721)	(721)
Deer (Incr) in Inventory	389	(37)	221	(660)	(869)
Deer (Incr) in Other CA	100	14	8	(18)	0
Deer (Incr) in Invest/Advances-Equity	0	0	0	0	0
(Deer) Incr in Invest and Goodwill	(565)	(551)	(551)	(550)	(551)
Deer (Incr) in Deferred Charges	6,235	0	0	0	0
Deer (Incr) in Other LT Assets	95	312	280	259	0
Incr (Deer) in Acct. Payable	(896)	(113)	98	284	142
Incr (Deer) in Taxes Payable	531	(200)	(250)	(350)	0
Incr (Deer) in Other Current Liab.	(885)	279	3	5	(4)
Pension Liability Increase	382	649	608	649	656
Other	37	37	45	43	1,102
Total WC (Uses)	\$4,415	(\$7)	(\$687)	(\$1,606)	(\$1,613)
Net Income (Loss)	(\$4,622)	\$3,930	\$7,935	\$8,309	\$10,891
Depreciation & Amort.	3,867	4,187	4,420	4,694	3,912
Net Cash From Operations	\$3,660	\$8,110	\$11,668	\$11,397	\$13,190
<b>Investment Activity</b>					
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)
<b>Financing Activities</b>					
Less Purchase of Treasury Stock (ESOP R)	(7,109)	(924)	(1,816)	(1,932)	0
Less Purchase Com. & Pref. Stock	5,548	5,260	1,500	1,500	0
Less Cash Dividends	0	0	0	0	0
Long-Term Debt Issuance	(451)	(6,425)	(7,225)	(2,684)	0
Current Debt Change	540	(1,364)	800	(4,541)	(54)
Other Financial Activity Cash Sources (Us	28	0	0	0	0
Net Cash Incr (Deer) from Financing	(\$1,443)	(\$3,453)	(\$6,741)	(\$7,657)	(\$54)
Cash and Equiv. Incr (Deer)	(2,373)	75	332	(832)	8,525
Change in Cash Balances	(2,373)	75	332	(832)	8,525

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## National Forge Company Holdings, Incorporated

## Projected Performance

	12 Months					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
CASH FLOWS						
Operating Income	\$8,186	\$7,370	\$10,386	\$10,260	\$10,847	\$12,103
Plus ESOP Contrib. incl. as Op. Exp.	5,545	5,259	1,500	1,500	1,500	0
Op. Inc. + ESOP Contrib.	\$13,731	\$12,629	\$11,886	\$11,760	\$12,347	\$12,103
Less Taxes on Op. Inc. + ESOP Contrib.	(5,355)	(4,925)	(4,636)	(4,586)	(4,815)	(4,720)
Plus Depreciation & Amortization	3,867	4,187	4,420	4,694	4,969	4,969
LIFO charge Add-back	0	0	0	0	0	0
Working Capital (Uses) - C-Corp	(3,402)	(1,142)	152	(637)	(1,191)	(1,641)
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)	(4,611)
Net Cash Flow	\$4,251	\$6,167	\$7,228	\$6,659	\$6,699	\$6,100
% of CF realized after 06/30/98	100%	100%	100%	100%	100%	100%
Cash Flow Applied to NPV	\$4,251	\$6,167	\$7,228	\$6,659	\$6,699	\$6,100
RESIDUAL VALUE						
Residual Value, assuming 4.5% long term growth of cash flows			Implied EBIT Multiple 5.0			CapFactor
UNLEVERAGED FIRM VALUE						
Unlev. Operating Free Cash Flow	\$4,251	\$6,167	\$7,228	\$6,659	\$6,699	
Residual Value	\$9,317	61,192	62,261	64,043	66,028	
Total Cash Flows <sup>TM</sup>	\$63,568	\$67,359	\$69,489	\$70,702	\$72,726	
Unleveraged Cost of Equity	13.6%	13.6%	13.6%	13.6%	13.6%	
Unleveraged Firm Value (Jun-98)	\$55,978	\$59,317	\$61,192	\$62,261	\$64,043	
TAX SHIELD VALUE FROM DEBT & ESOP IN CAPITAL STRUCTURE						
Pretax Income	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147	\$11,730
Pre-Transaction ESOP Principal	5,545	5,259	1,500	1,500	1,500	0
Interest Expense	3,099	2,550	1,844	1,238	624	425
Pretax Unleveraged Income	\$4,467	\$11,986	\$11,732	\$11,645	\$12,271	\$12,155
Pretax Income (Leveraged)	(4,177)	4,177	8,388	8,907	10,147	11,730
Tax on Unleveraged Pretax Income	\$1,742	\$4,675	\$4,575	\$4,542	\$4,786	\$4,741
Tax on Leveraged Pretax Income	(1,629)	1,629	3,271	3,474	3,958	4,575
Tax Savings due to Interest + ESOP	\$3,371	\$3,046	\$1,304	\$1,068	\$828	\$166
NPV of Tax Shield (13.6% rate)	\$7,376	4,920	2,542	1,582	729	

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## National Forge Company Holdings, Incorporated

SUMMARY	Projected Performance			
	Jun-98	Jun-99	Jun-00	Jun-02
Unleveraged Firm Value	\$55,978	\$59,317	\$61,192	\$62,261
PV of Interest & ESOP Tax Shield	7,376	4,920	2,542	1,582
PV Mitchell NOL, Unlevered	175	0	0	0
Market Capital Value	\$63,529	\$64,237	\$63,734	\$63,843
Less: Capital Debt + Buyout Debt	(\$35,398)	(\$25,609)	(\$21,819)	(\$15,394)
Less: Tax Adjusted SAR Value	(\$696)	(\$831)	(\$952)	(\$1,205)
Plus: Excess Cash post Buyout	\$4,853	\$3,707	\$3,781	\$4,114
Total Mkt. Control Equity Value	\$32,290	\$37,500	\$44,740	\$51,360
Marketability Discount (5.0%)	(1,610)	(1,880)	(2,240)	(2,570)
Control Equity Value	\$30,680	\$35,620	\$42,500	\$48,790
Shares Outstanding	620	620	620	620
Per Share Value	49.51	57.48	68.59	78.74
				89.97

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## National Forge Company Holdings, Incorporated

Projected Performance

12 Months

	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>DEBT AMORTIZATION</b>					
Total Debt	\$29,519				
Sum of Debt below	\$35,358				
<b>NF Europe</b>					
Beginning Balance	0.00%	Int. Rate	7	Term (Yrs Remaining)	\$5,430
Principal Payment (Borrowing)	\$5,430	\$5,430	\$5,430	\$5,430	\$5,430
Interest Payment	0	0	0	0	0
Ending balance	495	474	458	442	425
Total P&I	\$430	\$430	\$430	\$430	\$430
<b>Chase Term Loan</b>					
Beginning Balance	8.50%	Int. Rate	7	Term (Yrs Remaining)	\$525
Principal Payment (Borrowing)	\$21,411	\$16,846	\$10,459	\$5,585	\$525
Interest Payment	4,565	6,387	4,874	5,060	525
Ending balance	0	0	0	0	0
Total P&I	\$6,385	\$7,819	\$5,763	\$5,535	\$570
<b>MELF Pipeline &amp; Cap Lease</b>					
Beginning Balance	4.6%	Int. Rate	7	Term (Yrs Remaining)	\$0
Principal Payment (Borrowing)	\$400	\$267	\$182	\$93	\$0
Interest Payment	193	85	89	93	0
Ending balance	0	0	0	0	0
Total P&I	\$210	\$95	\$95	\$95	\$0
<b>Buyout Loan</b>					
Beginning Balance	10.6%	Int. Rate	5	Term (Yrs Remaining)	\$1,176
Principal Payment (Borrowing)	\$5,882	\$4,706	\$3,529	\$2,353	\$1,176
Interest Payment	1,176	1,176	1,176	1,176	1,176
Ending balance	0	0	312	187	62
Total P&I	\$1,738	\$1,613	\$1,488	\$1,363	\$1,239
<b>MIS Overdraft Reserve</b>					
Beginning Balance	7.0%	Int. Rate	1	Term (Yrs Remaining)	\$74
Principal Payment (Borrowing)	\$705	\$555	\$152	\$149	\$74
Interest Payment	150	403	3	75	0
Ending balance	0	0	0	0	0
Total P&I	\$555	\$555	\$152	\$149	\$77

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National Forge Company Holdings<sup>LLC</sup> Incorporated

	NA Int. Rate	2	Projected Performance Term (Yrs Remaining)
NW Forgemasters Overdraft			
Beginning Balance	\$228	\$602	\$856
Principal Payment (Borrowing)	(374)	(354)	378
Prepayment	0	0	0
Interest Payment	44	58	51
Ending balance	602	856	416
Total P&I	(\$330)	(\$196)	\$429

	9.5% Int. Rate	2	Projected Performance Term (Yrs Remaining)
MS Capital Equipment Lease			
Beginning Balance	\$1,282	\$1,203	\$990
Principal Payment (Borrowing)	79	(8)	443
Prepayment	0	0	0
Interest Payment	118	115	73
Ending balance	1,203	1,211	547
Total P&I	\$197	\$107	\$516

	NA Int. Rate	7	Term (Yrs Remaining)
MS Capital Equipment Loan			
Beginning Balance	\$0	\$0	\$0
Principal Payment (Borrowing)	0	0	0
Interest Payment	0	0	0
-Ending balance	0	0	0
Total P&I	\$0	\$0	\$0

	9.5% Avg Int Rate	6.11427782	Avg Term (Yrs Remaining)
Total Debt	\$35,398	\$21,819	\$15,394
Beginning Balance	\$5,789	\$6,425	\$7,225
Principal Payment (Borrowing)	\$0	\$0	\$0
Prepayment	\$3,099	\$2,550	\$1,844
Interest Payment	29,609	21,819	15,394
Ending balance	\$8,332	\$9,527	\$6,993
Total P&I	7,789	6,425	2,684
Short Term Debt	21,819	15,394	8,168
Long Term Debt			5,484

## National Forge Company Holdings, Incorporated

	12 Months					Projected Performance			
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Residual			
<b>DEPRECIATION SCHEDULE</b>									
Capital Expenditures Req'd.	\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611			
Total Depreciation on New Assets	\$459	\$917	\$1,377	\$1,834	\$2,295	\$2,756			
Depreciation on Existing Assets	3,740	3,325	2,909	2,494	2,078	1,663			
Total Depreciation Expense	\$ 2,802	\$ 3,122	\$ 3,363	\$ 3,637	\$ 3,912	\$4,419			
Beginning Fixed Assets	\$27,757	\$29,545	\$31,005	\$32,236	\$33,171	\$33,870			
Less: Depr. (see Assumptions page)	(2,802)	(3,122)	(3,363)	(3,637)	(3,912)	(3,912)			
Plus: Capital Exp.	4,590	4,582	4,594	4,572	4,611	4,611			
Ending Fixed Assets	\$29,545	\$31,005	\$32,236	\$33,171	\$33,870	\$34,569			



**Exhibit C: Hypothetical ESOP Valuation – S Corporation  
Capitalizing Taxes Saved for Ten Years**

## National Forge Compar... Holdings, Incorporated

## Projected Performance

		12 Months									
		Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
Assumptions											
Income Statement Assumptions											
Revenue Growth		11.6%	(1.1%)	(0.2%)		8.0%	(0.8%)	2.1%	2.8%	4.3%	4.5%
Historical COGS as a % of Rev		81.6%	79.5%	81.6%							
Historical Gross Profit Margin		18.4%	20.5%	18.4%							
Historical Adj to COGS (in \$)		\$0	\$0	\$0							
Going-forward COGS as a % of Rev		81.6%	79.5%	81.6%		79.7%	80.4%	77.9%	78.5%	78.6%	78.6%
Going-forward Gross Profit Margin		18.4%	20.5%	18.4%		20.3%	19.6%	22.1%	21.5%	21.4%	21.4%
Historical SGA as a % of Rev (b4 Depr)		10.2%	10.9%	10.4%							
Historical Adj to SGA (in \$)		\$0	\$0	\$0		11.0%	11.1%	10.7%	10.6%	10.3%	10.1%
Going-forward SGA % of Rev. (b4 Depr)		10.2%	10.9%	10.4%		39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Tax Rate		33.6%	36.4%	37.7%		\$2,802	\$3,122	\$3,363	\$3,637	\$3,912	\$3,912
Total Depr. (from schedule or input)		\$2,998	\$3,187	\$4,700		\$ 1,065	\$ 1,065	\$ 1,057	\$ 1,057	\$ 1,057	\$ 1,057
Amortization		\$0	\$0	\$0							
Avg Depreciable Life (Future)						10 Years	Avg Depreciable Life (Hist)			10 Years	
Balance Sheet Assumptions											
Cash	\$600	\$3,341	\$6,330			Residual Account					
Avg A/R Turns (Sales/Avg A/R)	7.8	5.7	5.8			5.5	5.6	5.6	5.6	5.7	5.7
A/R Turnover (Sales/A/R)	5.0	6.7	5.2			5.5	5.6	5.5	5.5	5.5	5.5
Avg Inventory Turns (COGS/Avg Inv)	3.5	3.6	3.8			4.2	4.2	4.2	4.3	4.3	4.3
Inventory Turns (COGS/Inv)	3.7	3.7	3.9			4.2	4.2	4.2	4.2	4.2	4.2
Other CA	0.1%	0.8%	0.9%			Fixed at LTM \$ amount					
Capital Expenditures	\$3,274	\$5,074	\$4,129			\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Error Message for CapEx	OK	OK	OK			The Historical CapEx is calculated based on "Total Depr (from COGS & SGA detail)" above					
Cap Ex as a % of Revenues	3.7%	5.8%	4.7%			4.8%	4.9%	4.8%	4.6%	4.5%	4.3%
Fixed Assets/Rev.	0.3	0.3	0.3			0.3	0.3	0.3	0.3	0.3	0.3
Investments & Advances - Eq. Method	\$0	\$0	\$0			Fixed at LTM \$ amount					
Investments & Advances - Other	\$0	\$0	\$0			Fixed at LTM \$ amount					
Intangibles	\$4,820	\$4,619	\$10,373			Fixed at LTM \$ amount					
Deferred Charges	\$7,259	\$6,443	\$6,235			Fixed at LTM \$ amount					
Other Assets	\$11,004	\$10,463	\$9,837			Fixed at LTM \$ amount					
Avg. A/P Turns (COGS/Avg A/P)	11.8	13.9	13.1			12.8	14.0	13.8	13.9	14.0	14.1
A/P Turns (COGS/AP)	13.4	15.2	11.3			12.8	14.1	13.7	13.5	13.8	13.8
Income Taxes Payable	\$864	\$0	\$369			25% of Current Years Taxes (default), or can change to \$0 or keep constant					
Other Current Liabilities	\$7,696	\$8,333	\$9,355			Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
Other Liabilities	\$31,163	\$32,119	\$33,010			Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
Deferred Taxes	\$0	\$0	\$0			Fixed at LTM \$ amount					
Minority Interest	\$2,079	\$1,278	\$0			Fixed at LTM \$ amount					
Current Ratio	1.9	2.0	1.8			1.8	1.9	1.9	2.5	3.4	4.1
Current Ratio (excl. Cur. Debt)	2.7	2.8	2.6			2.7	2.8	2.9	3.0	3.4	4.1
Prd. Common. & Capital Surplus	\$11,088	\$16,688	\$17,438			Fixed at LTM \$ amount					
Retained Earnings						Last Year (not LTM) + NI of Current year					
Valuation Assumptions											
Perpetuity Growth Rate						4.5%	LTM Inflation	4.0%	Implied Real Growth		
Discount Rate						13.6%	WACC or APV?	APV			
% of 1st Year's CF to include						100%	DLOM	5.0%	Trans Costs Amortiz		
Pre-Transaction Debt	\$22,847	\$15,207	\$29,519			\$29,519	Minority Discount	0.0%	% of Trans Co		
Pre-Trans. MC Value											
Pre-Trans. Equity Value											

\$56,084
\$42,610

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## National Forge Company Holdings, Incorporated

## Projected Performance

12 Months						
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
BALANCE SHEET						
<b>ASSETS</b>						
Cash & Short Term Investments	\$3,341	\$6,330	\$3,957	\$4,031	\$4,364	\$3,532
Restricted Escrow	\$182	\$182	901	1,622	2,342	3,063
Accounts Receivable	13,189	16,887	17,176	16,832	17,281	17,828
Inventory	18,979	18,376	17,937	18,024	17,803	18,463
Other Current Assets	703	777	677	663	655	673
Total Current Assets	\$36,212	\$42,552	\$40,698	\$41,192	\$42,445	\$43,559
Property, Plant & Equipment - Net	\$25,559	\$27,757	\$29,545	\$31,005	\$32,236	\$33,171
Investments & Advances - Eq. Method	0	0	0	0	0	0
Investments & Advances - Other	0	0	0	0	0	0
Intangibles	4,619	10,373	9,808	9,257	8,706	8,156
Deferred Charges	6,443	6,235	0	0	0	0
Other Assets	10,463	9,837	9,742	9,430	9,150	8,891
Total Assets	\$83,296	\$96,754	\$89,793	\$90,884	\$92,537	\$93,777
<b>LIABILITIES</b>						
Debt in Current Liabilities	\$5,646	\$7,249	\$7,739	\$6,425	\$7,225	\$2,684
Accounts Payable	4,389	6,363	5,457	5,354	5,452	5,736
Income Taxes Payable	0	369	930	700	450	100
Other Current Liabilities	8,333	9,355	8,470	8,749	8,752	8,753
Total Current Liabilities	\$18,368	\$23,336	\$22,626	\$21,228	\$21,879	\$17,277
Post Retirement Health Benefit Obligations	32,119	33,010	33,029	33,828	34,586	35,298
Total Long Term Debt	9,561	22,270	21,819	15,394	8,168	5,484
Deferred Taxes	0	0	0	0	0	0
Post Retirement Pension Obligations	1,278	0	353	213	63	0
Total Liabilities	\$61,526	\$78,616	\$77,838	\$70,663	\$64,697	\$58,059
Preferred Stock	\$3,500	\$0	0	0	0	0
Common Stock	3	5	8	9	9	9
Capital Surplus	13,185	17,433	22,978	28,237	29,737	31,237
Retained Earnings	5,282	1,333	(3,289)	641	8,576	16,885
Less Treasury Stock, Contra Equity	(200)	(633)	(7,742)	(8,666)	(10,482)	(12,414)
Total Equities	\$21,770	\$18,138	\$11,955	\$20,221	\$27,840	\$35,717
Total Liabilities & Equities	\$83,296	\$96,754	\$89,793	\$90,884	\$92,537	\$93,777

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## National Forge Company Holdings, Incorporated

## Projected Performance

12 Months											
INCOME STATEMENT											
Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04			
\$88,952	\$87,947	\$87,801	\$94,821	\$94,099	\$96,961	\$98,780	\$103,028	\$107,664			
72,608	69,932	71,634	75,595	75,694	74,826	77,506	81,011	84,656			
\$16,344	\$18,015	\$16,167	\$19,226	\$18,405	\$21,235	\$21,274	\$22,017	\$23,008			
\$9,045	\$9,622	\$9,125	\$10,455	\$10,450	\$10,264	\$10,429	\$10,585	\$10,905			
0	0	0	0	0	0	0	0	0			
\$7,299	\$8,393	\$7,042	\$8,771	\$7,955	\$10,971	\$10,845	\$11,432	\$12,103			
(\$683)	(\$875)	(\$1,057)	\$ (1,182)	\$ (1,250)	\$ (771)	\$ (742)	\$ (713)	\$ -			
0	0	0	10	22	32	42	52	52			
(3,053)	(2,224)	(1,958)	(3,099)	(2,550)	(1,844)	(1,238)	(624)	(425)			
0	0	0	(8,677)	0	0	0	0	0			
\$3,563	\$5,294	\$4,027	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147	\$11,730			
1,196	1,928	1,519	(445)	(247)	(453)	(598)	(726)	(839)			
\$2,367	\$3,366	\$2,513	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891			
0	0	(723)	0	0	0	0	0	0			
\$2,367	\$3,366	\$1,790	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891			
351	350	268	0	0	0	0	0	0			
\$2,016	\$3,016	\$1,522	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891			

## National Forge Company Holdings, Incorporated

## Projected Performance

CASH STATEMENT BY ACTIVITY	12 Months				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-04
<b>Operating Activity</b>					
Working Capital (Uses)					
Deer (Incr) in Acct. Rec.	(\$289)	\$324	(\$429)	(\$547)	(\$802)
Deer (Incr) in Escrow	(719)	(721)	(720)	(721)	(721)
Deer (Incr) in Inventory	389	(37)	221	(660)	(857)
Deer (Incr) in Other CA	100	14	8	(18)	7
Deer (Incr) in Invest./Advances-Equity	0	0	0	0	0
Deer (Incr) in Invest and Goodwill	(565)	(551)	(551)	(550)	(551)
Deer (Incr) in Deferred Charges	6,235	0	0	0	0
Deer (Incr) in Other LT Assets	95	312	280	259	235
Incr (Deer) in Acct. Payable	(896)	(113)	98	284	142
Incr (Deer) in Taxes Payable	531	(200)	(250)	(350)	0
Incr (Deer) in Other Current Liab.	(885)	279	3	5	(4)
Pension Liability Increase	382	649	608	649	656
Other	37	37	45	43	45
Total WC (Uses)	\$4,415	(\$7)	(\$587)	(\$1,606)	(\$1,850)
Net Income (Loss)	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421
Depreciation & Amort.	3,867	4,187	4,420	4,694	4,969
Net Cash From Operations	\$3,660	\$8,110	\$11,668	\$11,397	\$12,540
<b>Investment Activity</b>					
Less Capital Expenditures	(4,590)	(4,592)	(4,594)	(4,572)	(4,611)
<b>Financing Activities</b>					
Less Purchase of Treasury Stock (ESOP Rep)	(7,109)	(974)	(1,816)	(1,932)	(2,135)
Less Purchase Com. & Pref. Stock	5,348	5,260	1,500	1,500	1,500
Less Cash Dividends	0	0	0	0	0
Long-Term Debt Issuance	(451)	(6,425)	(7,225)	(2,684)	(54)
Current Debt Change	540	(1,364)	800	(4,541)	(2,630)
Other Financial Activity Cash Sources (Uses)	28	0	0	0	0
Net Cash Incr (Deer) from Financing	(\$1,443)	(\$3,453)	(\$6,741)	(\$7,657)	(\$3,319)
Cash and Equiv. Incr (Deer)	(2,373)	75	332	(832)	4,610
Change in Cash Balances	(2,373)	75	332	(832)	4,610

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## National Forge Company Holdings, Incorporated

## Projected Performance

	12 Months					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
CASH FLOWS						
Operating Income after non-ded. Depr.	\$8,186	\$7,370	\$10,386	\$10,260	\$10,847	\$12,103
Plus ESOP Contrib. incl. as Op. Exp.	5,545	5,259	1,500	1,500	1,500	0
Op. Inc. + ESOP Contrib.	\$13,731	\$12,629	\$11,886	\$11,760	\$12,347	\$12,103
Less C-Corp. Taxes @ 39%	(5,355)	(4,925)	(4,636)	(4,566)	(4,815)	(4,720)
Plus Depreciation & Amortization	3,867	4,187	4,420	4,694	4,969	4,969
LIFO charge Add-back	0	0	0	0	0	0
W/C net of charge on Def Taxes	(2,757)	(7)	(687)	(1,606)	(1,850)	(1,613)
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)	(4,611)
Net Cash Flow	\$4,896	\$7,302	\$6,389	\$5,690	\$6,040	\$6,128
% of CF realized after 06/30/98	100%	100%	100%	100%	100%	100%
Cash Flow Applied to NPV	\$4,896	\$7,302	\$6,389	\$5,690	\$6,040	\$6,128
RESIDUAL VALUE						
Residual Value, assuming 4.5% long term growth of cash flows						
Implied EBIT Multiple 5.0						
UNLEVERAGED FIRM VALUE						
Unlev. Operating Free Cash Flow	\$4,896	\$7,302	\$6,389	\$5,690	\$6,040	
Residual Value	\$8,792	\$9,462	\$11,134	\$9,733	\$10,334	
Total Cash Flows	\$63,688	\$66,763	\$67,523	\$69,423	\$72,374	
Unleveraged Cost of Equity	13.6%	13.6%	13.6%	13.6%	13.6%	
Unleveraged Firm Value (Jun-98)	\$56,084	\$58,792	\$59,462	\$61,134	\$63,733	
C-CORP VALUE OF TAX SHIELD VALUE FROM DEBT & ESOP IN CAPITAL STRUCTURE						
Pretax Income	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147	\$11,730
Pre-Transaction ESOP Principal	5,545	5,259	1,500	1,500	1,500	0
Interest Expense	3,099	2,550	1,844	1,238	624	425
Pretax Unleveraged Income	\$4,467	\$11,986	\$11,732	\$11,645	\$12,271	\$12,155
Pretax Income (Leveraged)	(4,177)	4,177	8,388	8,907	10,147	11,730
Tax on Unleveraged Pretax Income	\$1,742	\$4,575	\$4,575	\$4,542	\$4,786	\$4,741
Tax on Leveraged Pretax Income	(1,629)	1,629	3,271	3,474	3,958	4,575
Tax Savings due to Interest + ESOP	\$3,371	\$3,046	\$1,304	\$1,068	\$828	\$166
NPV of Tax Shield (13.6% rate)	7,302	4,920	2,542	1,582	729	

The Taxes Saved in the Current year are not accounted for in the Tax Shield Calculation

The Tax Shields were calculated based on savings for the next ten years

The Taxes Saved in the Current year are not accounted for in the Tax Shield Calculation

The Tax Shields were calculated based on savings for the next ten years

## National Forge Company Holdings, Incorporated

## S-CORP VALUE OF TAX SAVINGS

	Projected Performance					
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	
Operating Income	\$8,186	\$7,370	\$10,386	\$10,260	\$10,847	
Plus: ESOP Contribution	5,545	5,259	1,500	1,500	1,500	
Adjusted Operating Income	\$13,731	\$12,629	\$11,886	\$11,760	\$12,347	
Less: Total Taxes (UK & US) at 39%	\$5,355	\$4,925	\$4,636	\$4,586	\$4,815	
Less: UK Taxes	(445)	(247)	(453)	(598)	(726)	
Total Taxes Saved	\$4,910	\$4,678	\$4,183	\$3,988	\$4,089	\$4,089
Taxes Saved under C-Corp	\$3,371	\$3,046	\$1,304	\$1,068	\$828	\$166
Incremental Tax Savings	\$1,539	\$1,633	\$2,878	\$2,921	\$3,261	\$3,924
% Of Savings Applied	100%	100%	100%	100%	100%	100%
Total Tax Savings Applied	\$1,539	\$1,633	\$2,878	\$2,921	\$3,261	\$3,924
NPV of Tax Shield (13.6% rate)	\$13,925	\$15,473	\$16,139	\$16,855	\$17,369	\$17,369

The Taxes Saved in the Current year are not accounted for in the Tax Shield Calculation

The Tax Shields were calculated based on savings for the next ten years

SUMMARY	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	
Unleveraged Firm Value	\$56,084	\$58,792	\$59,462	\$61,134	\$63,733	
C-Corp. PV of Interest & ESOP Tax Shield	7,302	4,920	2,542	1,582	729	
S-Corp. PV of Incremental Tax Shield	13,925	15,473	16,139	16,855	17,369	
PV Mitchell NOL, Unlevered	175	0	0	0	0	
Market Capital Value	\$77,485	\$79,187	\$78,142	\$79,571	\$81,831	
Less: Capital Debt + Buyout Debt	(\$35,398)	(\$29,608)	(\$21,819)	(\$15,394)	(\$8,168)	
Less: Non-Tax Adjusted SAR Value	(\$2,087)	(\$2,240)	(\$2,468)	(\$2,974)	(\$2,974)	
Plus: Excess Cash post Buyout	\$4,853	\$3,707	\$3,781	\$4,114	\$3,282	
Total Mkt. Control Equity Value	\$44,850	\$51,050	\$57,640	\$65,320	\$73,970	
Marketability Discount (5.0%)	(2,240)	(2,550)	(2,880)	(3,270)	(3,700)	
Control Equity Value (after Marketability Discount)	\$42,610	\$48,500	\$54,760	\$62,050	\$70,270	
Shares Outstanding	620	620	620	620	620	
Per Share Value	68.76	78.27	88.37	100.14	113.40	

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**National Forge Company Holding<sup>®</sup> Incorporated**

### Projected Performance

12 Months		Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>DEBT AMORTIZATION</b>						
Total Debt	\$29,519					
Sum of Debt below	\$35,398					
<b>NF Europe</b>						
	9.00%	Int. Rate	7	Term (Yrs Remaining)		
Beginning Balance	\$5,430	\$5,430	\$5,430	\$5,430	\$5,430	\$5,430
Principal Payment (Borrowing)	0	0	0	0	0	0
Interest Payment	495	474	458	442	425	425
Ending balance	5,430	5,430	5,430	5,430	5,430	5,430
Total P&I	\$495	\$474	\$458	\$442	\$425	\$425
<b>Chase Term Loan</b>						
	8.50%	Int. Rate	7	Term (Yrs Remaining)		
Beginning Balance	\$21,411	\$16,846	\$10,459	\$5,585	\$525	\$525
Principal Payment (Borrowing)	4,565	6,387	4,874	5,060	525	525
Prepayment	0	0	0	0	0	0
Interest Payment	1,820	1,432	889	475	45	45
Ending balance	16,846	10,459	5,585	525	0	0
Total P&I	\$6,385	\$7,819	\$5,763	\$5,535	\$570	\$570
<b>MELF Pipeline &amp; Cap Lease</b>						
	4.60%	Int. Rate	7	Term (Yrs Remaining)		
Beginning Balance	\$490	\$267	\$182	\$93	\$0	\$0
Principal Payment (Borrowing)	193	85	89	93	0	0
Prepayment	0	0	0	0	0	0
Interest Payment	17	10	6	2	0	0
Ending balance	267	182	93	0	0	0
Total P&I	\$210	\$95	\$95	\$95	\$0	\$0
<b>Buyout Loan</b>						
	10.60%	Int. Rate	5	Term (Yrs Remaining)		
Beginning Balance	\$5,882	\$4,706	\$3,529	\$2,353	\$1,176	\$1,176
Principal Payment (Borrowing)	1,176	1,176	1,176	1,176	1,176	1,176
Prepayment	0	0	0	0	0	0
Interest Payment	561	436	312	187	62	62
Ending balance	4,706	3,529	2,353	1,176	0	0
Total P&I	\$1,738	\$1,613	\$1,488	\$1,363	\$1,239	\$1,239
<b>MS Overdraft Reserve</b>						
	7.00%	Int. Rate	1	Term (Yrs Remaining)		
Beginning Balance	\$795	\$555	\$152	\$149	\$74	\$74
Principal Payment (Borrowing)	150	403	0	75	74	74
Prepayment	0	0	0	0	0	0
Interest Payment	44	25	11	8	3	3
Ending balance	555	152	149	74	0	0
Total P&I	\$194	\$428	\$14	\$83	\$77	\$77



National Forge Company Holdings<sup>INC</sup> Incorporated

	NA Int. Rate	2	Projected Performance Term (Yrs Remaining)
NW Foregenasters Overdraft			
Beginning Balance	\$228 \$602	\$856	\$416
Principal Payment (Borrowing)	(374) (254)	62	378 362
Prepayment	0 0	0	0 0
Interest Payment	44 58	64	51 63
Ending balance	602 856	794	416 54
Total P&I	(\$330) (\$196)	\$126	\$429 \$425

	9.5% Int. Rate	2	Term (Yrs Remaining)
MS Capital Equipment Lease			
Beginning Balance	\$1,282 \$1,203	\$1,211	\$990 \$547
Principal Payment (Borrowing)	79 (8)	221	443 547
Prepayment	0 0	0	0 0
Interest Payment	118 115	105	73 26
Ending balance	1,203 1,211	990	547 0
Total P&I	\$197 \$107	\$326	\$516 \$573

	NA Int. Rate	7	Term (Yrs Remaining)
MS Capital Equipment Loan			
Beginning Balance	\$0 \$0	\$0	\$0 \$0
Principal Payment (Borrowing)	0 0	0	0 0
Interest Payment	0 0	0	0 0
-Ending balance	0 0	0	0 0
Total P&I	\$0 \$0	\$0	\$0 \$0

	9.5% Avg Int Rate	6.114277818 Avg Term (Yrs Remaining)
Total Debt		
Beginning Balance	\$35,398 \$29,609	\$21,819 \$15,394 \$8,168
Principal Payment (Borrowing)	\$5,789 \$7,789	\$6,425 \$7,225 \$2,684
Prepayment	\$0 \$0	\$0 \$0 \$0
Interest Payment	\$3,099 \$2,550	\$1,844 \$1,238 \$624
Ending balance	29,609 21,819	15,394 8,168 5,484
Total P&I	\$8,332 \$9,527	\$7,346 \$6,993 \$1,808

	7.789	6.425	7.225	2.684	54
Short Term Debt					
Long Term Debt	21,819	15,394	8,168	5,484	5,430

## National Forge Company Holdings, Incorporated

## Projected Performance

DEPRECIATION SCHEDULE	12 Months					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
Capital Expenditures Req'd.	\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Total Depreciation on New Assets	\$459	\$917	\$1,377	\$1,834	\$2,295	\$2,756
Depreciation on Existing Assets	3,740	3,325	2,909	2,494	2,078	1,663
Total Depreciation Expense	\$ 2,802	\$ 3,122	\$ 3,363	\$ 3,637	\$ 3,912	\$4,419
Beginning Fixed Assets	\$27,757	\$29,545	\$31,005	\$32,236	\$33,171	\$33,870
Less: Depr. (see Assumptions page)	(2,802)	(3,122)	(3,363)	(3,637)	(3,912)	(3,912)
Plus: Capital Exp.	4,590	4,582	4,594	4,572	4,611	4,611
Ending Fixed Assets	\$29,545	\$31,005	\$32,236	\$33,171	\$33,870	\$34,569

**Exhibit D: Hypothetical ESOP Valuation – S Corporation  
Capitalizing Taxes Saved in Perpetuity**

## National Forge Company Holdings, Incorporated

Projected Performance								
Assumptions				12 Months				
Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Income Statement Assumptions								
Revenue Growth	(1.1%)	(0.2%)	8.0%	(0.8%)	2.1%	2.8%	4.3%	4.5%
Historical COGS as a % of Rev	79.5%	81.6%						
Historical Gross Profit Margin	20.5%	18.4%						
Historical Adj to COGS (in \$)	\$0	\$0						
Going-forward COGS as a % of Rev	79.5%	81.6%	79.7%	80.4%	77.9%	78.5%	78.6%	78.0%
Going-forward Gross Profit margin	20.5%	18.4%	20.3%	19.6%	22.1%	21.5%	21.4%	21.4%
Historical SGA as a % of Rev (b4 Depr)	10.2%	10.4%						
Historical Adj to SGA (in \$)	\$0	\$0						
Going-forward SGA % of Rev. (b4 Depr)	10.2%	10.4%	11.0%	11.1%	10.7%	10.6%	10.3%	10.1%
Tax Rate	33.6%	37.7%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Total Depr. (from schedule or input)	\$4,700	\$3,187	\$2,802	\$3,122	\$3,363	\$3,637	\$3,912	\$3,912
Amortization	\$0	\$0	\$1,065	\$1,065	\$1,057	\$1,057	\$1,057	\$1,057
Avg Depreciable Life (Future)			10 Years	10 Years	Avg Depreciable Life (Hist)		10 Years	
Balance Sheet Assumptions								
Cash	\$3,341	\$6,330	Residual Account					
Avg A/R Turns (Sales/Avg A/R)	7.8	5.8	5.6	5.5	5.6	5.6	5.7	5.7
A/R Turnover (Sales/A/R)	5.0	6.7	5.5	5.6	5.6	5.5	5.5	5.5
Avg Inventory Turns (COGS/Avg Inv)	3.5	3.8	4.2	4.2	4.2	4.3	4.3	4.3
Inventory Turns (COGS/Inv)	3.7	3.9	4.2	4.2	4.2	4.2	4.2	4.2
Other CA	0.1%	0.9%	Fixed at LTM \$ amount:					
Capital Expenditures	\$3,274	\$4,129	\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Error Message for CapEx	OK	OK	The Historical CapEx is calcd based on "Total Depr (from COGS & SGA detail)" above					
Cap Ex as a % of Revenues	3.7%	5.8%	4.8%	4.9%	4.8%	4.6%	4.5%	4.3%
Fixed Assets/Rev.	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Investments & Advances - Eq. Method	\$0	\$0	Fixed at LTM \$ amount					
Investments & Advances - Other	\$0	\$0	Fixed at LTM \$ amount					
Intangibles	\$4,820	\$4,619	Fixed at LTM \$ amount					
Deferred Charges	\$7,259	\$6,443	Fixed at LTM \$ amount					
Other Assets	\$11,004	\$10,463	Fixed at LTM \$ amount					
Avg. A/P Turns (COGS/Avg A/P)	11.8	13.9	Fixed at LTM \$ amount					
A/P Turns (COGS/AP)	13.4	15.2	12.8	14.0	13.8	13.9	14.0	14.1
Income Taxes Payable	\$564	\$330	13.8	14.1	13.7	13.5	13.8	13.8
Other Current Liabilities	\$7,696	\$8,333	25% of Current Years Taxes (default), or can change to \$0 or keep constant					
Other Liabilities	\$31,163	\$32,119	Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
Deferred Taxes	\$0	\$0	Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
Minority Interest	\$2,079	\$1,278	Fixed at LTM \$ amount					
Current Ratio	1.9	2.0	Fixed at LTM \$ amount					
Current Ratio (excl. Cur. Debt)	2.7	2.8	1.8	1.9	1.9	2.5	3.4	4.1
Pfd, Common, & Capital Surplus	\$11,088	\$16,668	2.7	2.8	2.9	3.0	3.4	4.1
Retained Earnings			Fixed at LTM \$ amount					
			Last Year (not LTM) + NT of Current year					
Valuation Assumptions								
Perpetuity Growth Rate			4.5%		LTM Inflation	4.0%	Implied Real Growth	
Discount Rate			13.6%		WACC or APV?	APV		
% of 1st Year's CF to include			100%		DLOM	5.0%		
Pre-Transaction Debt	\$29,519	\$15,207	\$29,519		Minority Discount	0.0%	Trans Costs Amortiz	
							% of Trans Co	

556,084
546,360

Pre-Trans. MC Value  
Pre-Trans. Equity Value

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### Projected Performance

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## National Forge Company Holdings, Incorporated

INCOME STATEMENT						Projected Performance			
12 Months						Jun-01	Jun-02	Jun-03	Jun-04
Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
\$88,952	\$87,947	\$87,801	\$94,821	\$94,099	\$96,061	\$98,780	\$103,028	\$107,664	
72,608	69,932	71,634	75,595	75,694	74,826	77,506	81,011	84,656	
\$16,344	\$18,015	\$16,167	\$19,226	\$18,405	\$21,235	\$21,274	\$22,017	\$23,008	
\$9,045	\$9,622	\$9,125	\$10,455	\$10,450	\$10,264	\$10,429	\$10,585	\$10,905	
0	0	0	0	0	0	0	0	0	
\$7,299	\$8,393	\$7,042	\$8,771	\$7,955	\$10,971	\$10,845	\$11,432	\$12,103	
Other Expense (incl. Fin & Other Amort)			\$ (1,182)	\$ (1,250)	\$ (771)	\$ (742)	\$ (713)	\$ -	
Interest Income (NF Components)			10	22	32	42	52	52	
Interest Expense			(3,090)	(2,550)	(1,844)	(1,238)	(624)	(425)	
Special Item Income (Expense)			(8,677)	0	0	0	0	0	
\$3,563	\$5,294	\$4,027	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147	\$11,730	
1,196	1,928	1,519	(445)	(247)	(453)	(598)	(726)	(839)	
\$2,367	\$3,366	\$2,513	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891	
0	0	(723)	0	0	0	0	0	0	
\$2,367	\$3,366	\$1,790	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891	
351	350	268	0	0	0	0	0	0	
\$2,016	\$3,016	\$1,522	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421	\$10,891	

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## National Forge Company Holdings, Incorporated

## Projected Performance

CASH STATEMENT BY ACTIVITY	12 Months				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
<b>Operating Activity</b>					
Working Capital (Uses)					
Deer (Incr) in Acct. Rec.	(\$289)	\$324	(\$429)	(\$547)	(\$802)
Deer (Incr) in Escrow	(719)	(721)	(720)	(721)	(721)
Deer (Incr) in Inventory	389	(37)	221	(660)	(857)
Deer (Incr) in Other CA	100	14	8	(18)	7
Deer (Incr) in Invest/Advances-Equity	0	0	0	0	0
(Deer) Incr in Invest and Goodwill	(565)	(551)	(551)	(550)	(551)
Deer (Incr) in Deferred Charges	6,235	0	0	0	0
Deer (Incr) in Other LT Assets	95	312	230	259	235
Incr (Deer) in Acct. Payable	(896)	(113)	98	284	142
Incr (Deer) in Taxes Payable	531	(200)	(250)	(350)	0
Incr (Deer) in Other Current Liab.	(885)	279	3	5	(4)
Pension Liability Increase	382	649	608	649	656
Other	37	37	45	43	45
Total WC (Uses)	\$4,415	(\$7)	(\$687)	(\$1,606)	(\$1,850)
Net Income (Loss)	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421
Depreciation & Amort.	3,867	4,187	4,420	4,694	4,969
Net Cash From Operations	\$3,660	\$8,110	\$11,668	\$11,397	\$12,540
<b>Investment Activity</b>					
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)
<b>Financing Activities</b>					
Less Purchase of Treasury Stock (ESOP Rep)	(7,109)	(924)	(1,816)	(1,932)	(2,135)
Less Purchase Com. & Pref. Stock	5,548	5,260	1,500	1,500	1,500
Less Cash Dividends	0	0	0	0	0
Long-Term Debt Issuance	(451)	(6,425)	(7,225)	(2,684)	(54)
Current Debt Change	540	(1,364)	800	(4,541)	(2,630)
Other Financial Activity Cash Sources (Uses)	28	0	0	0	0
Net Cash Incr (Deer) from Financing	(\$1,443)	(\$3,453)	(\$6,741)	(\$7,657)	(\$3,319)
Cash and Equiv. Incr (Deer)	(2,373)	75	332	(832)	4,610
Change in Cash Balances	(2,373)	75	332	(832)	4,610

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## National Forge Company Holdings, Incorporated

## Projected Performance

	12 Months						Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03		
CASH FLOWS							
Operating Income after non-decl. Depr.	\$8,186	\$7,370	\$10,386	\$10,260	\$10,847	\$12,103	
Plus ESOP Contrib. incl. as Op. Exp.	5,545	5,259	1,500	1,500	1,500	0	
Op. Inc. + ESOP Contrib.	\$13,731	\$12,629	\$11,886	\$11,760	\$12,347	\$12,103	
Less C-Corp. Taxes @ 39%	(5,355)	(4,925)	(4,636)	(4,586)	(4,815)	(4,720)	
Plus Depreciation & Amortization	3,867	4,187	4,420	4,594	4,969	4,969	
LIFO charge Add-back	0	0	0	0	0	0	
WC net of charge on Def Taxes	(2,757)	(7)	(687)	(1,606)	(1,850)	(1,613)	
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)	(4,611)	
Net Cash Flow	\$4,896	\$7,302	\$6,389	\$5,690	\$6,040	\$6,128	
% of CF realized after 06/30/98	100%	100%	100%	100%	100%	100%	
Cash Flow Applied to NPV	\$4,896	\$7,302	\$6,389	\$5,690	\$6,040	\$6,128	
RESIDUAL VALUE							
Residual Value, assuming 4.5% long term growth of cash flows	Implied EBIT Multiple 5.0						CapFactor
UNLEVERAGED FIRM VALUE							
Unlev. Operating Free Cash Flow	\$4,896	\$7,302	\$6,389	\$5,690	\$6,040		
Residual Value	\$8,792	\$9,462	61,134	63,733	66,334		
Total Cash Flows	\$63,688	\$66,763	\$67,523	\$69,423	\$72,374		
Unleveraged Cost of Equity	13.6%	13.6%	13.6%	13.6%	13.6%		
Unleveraged Firm Value (Jun-98)	\$56,084	\$58,792	\$59,462	\$61,134	\$63,733		
C-CORP VALUE OF TAX SHIELD VALUE FROM DEBT & ESOP IN CAPITAL STRUCTURE							
Pretax Income	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147	\$11,730	
Pre-Transaction ESOP Principal	5,545	5,259	1,500	1,500	1,500	0	
Interest Expense	3,099	2,550	1,844	1,238	624	425	
Pretax Unleveraged Income	\$4,467	\$11,986	\$11,732	\$11,645	\$12,271	\$12,155	
Pretax Income (Leveraged)	(4,177)	4,177	8,388	8,907	10,147	11,730	
Tax on Unleveraged Pretax Income	\$1,742	\$4,675	\$4,575	\$4,542	\$4,786	\$4,741	
Tax on Leveraged Pretax Income	(1,629)	1,629	3,271	3,474	3,958	4,575	
Tax Savings due to Interest + ESOP	\$3,371	\$3,046	\$1,304	\$1,068	\$828	\$166	
NPV of Tax Shield (13.6% rate)	7,302	4,920	2,542	1,582	729		

The Taxes Saved in the Current year are not accounted for in the Tax Shield Calculation

The Tax Shields were calculated based on savings for the next ten years

The Taxes Saved in the Current year are not accounted for in the Tax Shield Calculation

The Tax Shields were calculated based on savings for the next ten years



## National Forge Company Holdings, Incorporated

S-CORP VALUE OF TAX SAVINGS		Projected Performance	
Operating Income	\$8,186	\$7,370	\$10,386
Plus: ESOP Contribution	5,545	5,259	1,500
Adjusted Operating Income	\$13,731	\$12,629	\$11,886
Less: Total Taxes (UK & US) at 39%	\$5,355	\$4,925	\$4,586
Less: UK Taxes	(445)	(247)	(598)
Total Taxes Saved	\$4,910	\$4,678	\$3,988
Taxes Saved under C-Corp	\$3,371	\$3,046	\$1,068
Incremental Tax Savings	\$1,539	\$1,633	\$2,921
% Of Savings Applied	100%	100%	100%
Total Tax Savings Applied	\$1,539	\$1,633	\$2,921
NPV of Tax Shield (13.6% rate)	\$17,871	\$18,556	\$18,865

The Taxes Saved in the Current year are not accounted for in the Tax Shield Calculation

The Tax Shields were calculated based on savings for the next ten years

SUMMARY	Jun-98				Jun-01				Jun-02			
Unleveraged Firm Value	\$56,084	\$58,792	\$59,462	\$61,134	\$63,733							
C-Corp. PV of Interest & ESOP Tax Shield	7,302	4,920	2,542	1,582	729							
S-Corp. PV of Incremental Tax Shield	17,871	18,556	18,878	18,865	18,551							
PV Mitchell NOL, Unlevered	175	0	0	0	0							
Market Capital Value	\$81,432	\$82,369	\$80,882	\$81,582	\$83,014							
Less: Capital Debt + Buyout Debt	(\$35,398)	(\$29,609)	(\$21,819)	(\$15,394)	(\$8,168)							
Less: Non-Tax Adjusted SAR Value	(\$2,087)	(\$2,240)	(\$2,468)	(\$2,974)	(\$2,974)							
Plus: Excess Cash post Buyout	\$4,853	\$3,707	\$3,781	\$4,114	\$3,282							
Total Mkt. Control Equity Value	\$48,800	\$54,430	\$60,380	\$67,330	\$75,150							
Marketability Discount (5.0%)	(2,440)	(2,720)	(3,020)	(3,370)	(3,760)							
Control Equity Value (after Marketability Discount)	\$46,360	\$51,710	\$57,360	\$63,960	\$71,390							
Shares Outstanding	620	620	620	620	620							
Per Share Value	74.82	83.45	92.57	103.22	115.21							

## National Forge Company Holdings, Incorporated

## Projected Performance

	12 Months			
	Jun-99	Jun-00	Jun-01	Jun-03
<b>DEBT AMORTIZATION</b>				
Total Debt	\$29,519			
Sum of Debt below	\$35,398			
<b>NF Europe</b>				
Beginning Balance	9.00%	Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	\$5,430	\$5,430	\$5,430	\$5,430
Interest Payment	0	0	0	0
Ending balance	495	474	458	425
Total P&I	\$430	\$430	\$430	\$430
	\$495	\$474	\$458	\$425
<b>Chase Term Loan</b>				
Beginning Balance	8.50%	Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	\$1,411	\$16,846	\$10,459	\$5,585
Prepayment	4,565	6,387	4,874	5,600
Interest Payment	0	0	0	0
Ending balance	1,820	1,432	889	475
Total P&I	16,846	10,459	5,585	525
	\$6,385	\$7,819	\$5,763	\$5,535
<b>MELF Pipeline &amp; Cap Lease</b>				
Beginning Balance	4.6%	Int. Rate	7	Term (Yrs Remaining)
Principal Payment (Borrowing)	\$460	\$267	\$182	\$93
Prepayment	193	85	89	93
Interest Payment	0	0	0	0
Ending balance	17	10	6	2
Total P&I	267	182	93	0
	\$210	\$95	\$95	\$0
<b>Buyout Loan</b>				
Beginning Balance	10.6%	Int. Rate	5	Term (Yrs Remaining)
Principal Payment (Borrowing)	\$5,882	\$4,706	\$3,529	\$2,353
Prepayment	1,176	1,176	1,176	1,176
Interest Payment	0	0	312	187
Ending balance	561	436	2,353	1,176
Total P&I	4,706	3,529	1,176	62
	\$1,738	\$1,613	\$1,488	\$1,239
<b>MS Overdraft Reserve</b>				
Beginning Balance	7.0%	Int. Rate	1	Term (Yrs Remaining)
Principal Payment (Borrowing)	\$705	\$555	\$152	\$149
Prepayment	150	403	3	75
Interest Payment	0	0	0	0
Ending balance	44	25	11	8
Total P&I	555	152	149	74
	\$194	\$428	\$14	\$83

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## National Forge Company Holdin Incorporated

	NA Int. Rate	2	Projected Performance Term (Yrs Remaining)
NW Forgemasters Overdraft			
Beginning Balance	\$328	\$602	\$856
Principal Payment (Borrowing)	(774)	(254)	62
Prepayment	0	0	0
Interest Payment	44	58	64
Ending balance	602	856	794
Total P&I	(\$330)	(\$196)	\$126

	9.5% Int. Rate	2	Projected Performance Term (Yrs Remaining)
MS Capital Equipment Lease			
Beginning Balance	\$1,282	\$1,203	\$1,211
Principal Payment (Borrowing)	79	(8)	221
Prepayment	0	0	0
Interest Payment	118	115	105
Ending balance	1,203	1,211	990
Total P&I	\$197	\$107	\$326

	NA Int. Rate	7	Projected Performance Term (Yrs Remaining)
MS Capital Equipment Loan			
Beginning Balance	\$0	\$0	\$0
Principal Payment (Borrowing)	0	0	0
Interest Payment	0	0	0
Ending balance	0	0	0
Total P&I	\$0	\$0	\$0

	9.5% Avg Int Rate	6.114277818	Avg Term (Yrs Remaining)
Total Debt			
Beginning Balance	\$35,398	\$29,609	\$21,819
Principal Payment (Borrowing)	\$5,789	\$7,789	\$6,425
Prepayment	\$0	\$0	\$0
Interest Payment	\$3,099	\$2,550	\$1,844
Ending balance	29,609	21,819	15,394
Total P&I	\$8,332	\$9,527	\$7,346

	7.789	6.425	7.225	54
Short Term Debt				
Long Term Debt	21,819	15,394	8,168	5,430

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## National Forge Company Holdings, Incorporated

DEPRECIATION SCHEDULE	Projected Performance					
	12 Months Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Residual
Capital Expenditures Req'd.	\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Total Depreciation on New Assets	\$459	\$917	\$1,377	\$1,834	\$2,295	\$2,756
Depreciation on Existing Assets	3,740	3,325	2,909	2,494	2,078	1,663
Total Depreciation Expense	\$ 2,802	\$ 3,122	\$ 3,363	\$ 3,637	\$ 3,912	\$4,419
Beginning Fixed Assets	\$27,757	\$29,545	\$31,905	\$32,236	\$33,171	\$33,870
Less: Depr. (see Assumptions page)	(2,802)	(3,122)	(3,363)	(3,637)	(3,912)	(3,912)
Plus: Capital Exp.	4,590	4,582	4,594	4,572	4,611	4,611
Ending Fixed Assets	\$29,545	\$31,005	\$32,236	\$33,171	\$33,870	\$34,569

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